

**ECONOMIC REVIEW** | November 2024 Consumer Price Index**CPI Inflation Eased Slightly to +1.8%yoy in Nov-24 Due to Slower Rise in Non-food Prices**

- *Headline inflation slowed slightly to +1.8%yoy in Nov-24. Malaysia's headline CPI inflation decelerated to +1.8%yoy in Nov-24, marginally lower than our estimate driven by the slower non-food inflation (+1.4%yoy; Oct-24: +1.7%yoy).*
- *Inflation moderates in both urban and rural areas. By strata, both urban and rural areas are experiencing slower CPI inflation in Nov-24. Among the states, Penang continued to record the highest inflation at +2.9%yoy (Oct-24: +3.1%yoy), above the national level,*
- *Moderate inflation at +2.0% in 2024. We maintain our estimation that CPI inflation will moderate to +2.0% in 2024 (2023: +2.5%) which indicates a rather muted impact of policy changes to pushing overall price pressures higher. In view of the stable inflation and no significant demand pressures, we foresee OPR will be kept at 3.00% this year and also throughout next year.*

**Headline inflation slowed slightly to +1.8%yoy in Nov-24.** Malaysia's headline CPI inflation decelerated to +1.8%yoy in Nov-24, marginally lower than our estimate driven by the slower non-food inflation (+1.4%yoy; Oct-24: +1.7%yoy). Prices of the clothing & footwear fell sharper -0.3%yoy (Oct-24: -0.2%yoy) and the information and communication segment also deflated further by -3.9%yoy (Oct-24: -1.7%yoy), hitting the biggest contraction since Sept-18. Food away from home recorded a higher inflation of +4.8%yoy (Oct-24: +4.1%yoy), the fastest since Nov-23. Meanwhile, inflation for food at home remained unchanged at +0.6%yoy as there are broad based growth across all the components except for fish & seafood and milk, cheese & eggs which both fell by -0.1%yoy. Non-food inflation, however, further eased to +1.4%yoy (Oct-24: +1.7%yoy) due to deflation in clothing & footwear and information & communication, and slower inflation in the health and transport components. Meanwhile, core CPI remained unchanged at +1.8%yoy, signalling little change in terms of underlying demand on general prices. Therefore, with the further easing in the non-food inflation and unchanged core inflation, we could infer that there is a limited upward price pressures from policy changes (i.e. targeted diesel subsidy, higher utility tariffs and SST rate hike). The government has also signalled the possibility of the fuel subsidy rationalisation will be executed next year; we expect the moderate inflation will continue in 1QCY25. The lower crude oil prices and easing cost pressures would keep inflation under control.

**Global food prices grew faster in Nov-24.** Global food prices grew at +5.7%yoy in Nov-24 (Oct-24: +5.1%yoy) driven by the higher prices of meat, dairy, cereals and oils products. On the other hand, the prices of cereals and sugar contracted by -8.0%yoy (Oct-24: +8.3%yoy) and -21.7%yoy (Oct-24: -18.6%yoy), respectively. In the 11M24, global food prices continued to deflate by -2.8%yoy, but not as steep as seen last year (2023: -13.8%). As comparison, domestic food price inflation moderated to +1.8%yoy in 11MCY24 (2023: +4.8%) significantly lower than the pre-pandemic average of +3.2% per annum and the post-pandemic average of +4.1% per annum. Nonetheless, as a net food importer, Malaysia remains susceptible to external factors (e.g. fluctuations in global food prices) and changes in the ringgit exchange rates. Based on trade data for 10MCY24, the ratio of food imports to Malaysia's total imports was slightly higher at 6.8% (2023: 6.5%), indicating higher reliance on imported foods. On another note, domestic food inflation could increase higher as adverse weather conditions disrupted production and food supplies.

**Table 1: Consumer price index by component**

	Weightage %	MoM%			YoY%		
		Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
<b>Core CPI</b>	-	0.2	0.0	0.0	1.8	1.8	1.8
<b>Headline CPI</b>	100.0	0.0	0.2	(0.1)	1.8	1.9	1.8
Food and Beverages	29.8	0.1	0.8	0.0	1.6	2.3	2.6
Food	29.0	0.1	0.8	0.0	1.6	2.3	2.5
Food at Home	15.6	0.1	0.1	(0.1)	0.4	0.6	0.6
Food Away from Home	13.4	0.0	1.7	0.1	2.8	4.1	4.8
Non-alcoholic Beverages	0.8	0.0	0.2	0.0	2.6	2.6	2.4
Non-Food	70.2	(0.0)	(0.2)	(0.1)	2.0	1.7	1.4
Alcoholic Beverages & Tobacco	1.9	0.1	0.1	0.0	1.1	0.8	0.8
Clothing & Footwear	2.7	0.0	0.0	(0.1)	(0.3)	(0.2)	(0.3)
Housing, Water, Electricity, Gas & Other Fuels	23.2	0.0	0.0	0.3	3.1	3.1	3.2
Furnishings, Household Equip & Maintenance	4.3	(0.1)	(0.1)	0.1	0.6	0.5	0.5
Health	2.7	(0.1)	0.1	0.0	1.6	1.4	1.2
Transport	11.3	(0.2)	(0.2)	(0.2)	1.1	0.7	0.4
Information and Communication	6.6	(0.1)	(2.1)	(2.3)	0.4	(1.7)	(3.9)
Recreation, Sport and Culture	3.0	0.0	(0.1)	0.1	2.1	2.0	2.0
Education	1.3	0.0	0.2	0.0	1.5	1.5	1.5
Restaurants & Accommodation Services	3.4	0.1	0.1	0.1	3.2	2.8	2.8
Insurance & Financial Services	4.0	0.0	0.0	0.0	0.5	0.5	0.5
Personal Care, Social Protect & Misc. Goods & Services	5.8	0.1	0.2	0.5	3.1	3.4	3.4

Source: DOSM, MIDFR

**Inflation moderating in both urban and rural areas.** By strata, both urban and rural areas is experiencing slower CPI inflation in Nov-24. The urban headline inflation rate slowed to +1.7%yoy (Oct-24: +1.8%yoy), while the rural inflation moderated to +1.6%yoy (Oct-24: +1.7%yoy). Among the states, Penang continued to record the highest inflation at +2.9%yoy (Oct-24: +3.1%yoy), above the national level, but has been moderating in the past 3 months, followed by Pahang (+2.4%yoy; Oct-24: +2.7%yoy) and Selangor (+2.1%yoy; Oct-24: 2.3% yoy).

**Table 2: Inflation by state (YoY%)**

	MoM%			YoY%		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
<b>Urban</b>	0.0	0.1	(0.1)	1.9	1.8	1.7
<b>Rural</b>	0.0	0.1	0.0	1.7	1.7	1.6
Peninsular Malaysia	0.0	0.1	(0.1)	1.9	1.9	1.7
Kedah	0.0	0.1	(0.1)	1.4	1.4	1.2
Perlis	(0.1)	0.2	(0.2)	1.5	1.6	1.5
Pulau Pinang	(0.1)	0.1	(0.1)	3.1	3.1	2.9
Perak	0.1	0.2	0.0	0.9	1.1	1.0
Selangor	0.0	0.1	(0.1)	2.3	2.3	2.1

	MoM%			YoY%		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
Putrajaya	0.0	0.1	(0.1)	1.2	1.2	1.1
Kuala Lumpur	0.0	(0.1)	(0.1)	1.6	1.4	1.4
Melaka	(0.1)	0.3	(0.1)	1.3	1.6	1.6
Negeri Sembilan	(0.1)	0.2	(0.1)	1.5	1.5	1.5
Johor	0.1	0.1	0.0	1.8	1.9	1.9
Pahang	(0.1)	0.0	(0.2)	2.7	2.7	2.4
Kelantan	(0.1)	0.2	(0.2)	0.9	0.9	0.9
Terengganu	(0.1)	0.1	0.0	1.5	1.5	1.6
Sabah	0.1	0.0	0.0	1.1	1.1	1.1
Sarawak	0.1	(0.2)	(0.1)	2.3	2.1	1.9

Source: DOSM, MIDFR

**PPI contracted for the second month in Oct-24.** Malaysia's input inflation contracted faster at -2.4% yoy in Oct-24 (Sept-24: -2.1%yoy), marking the second month of deflation since Jan-24. The contraction was driven by the sharper fall in prices of both crude and intermediate materials at -8.7%yoy (Sept-24: -2.1%yoy) and -1.9%yoy (Sept-24: -1.1%yoy), respectively. Under the crude materials component, the crude fuel and non-food materials contracted the most by -24.5%yoy (Sept-24: -20.6%yoy) and -10.5%yoy (Sept-24: -11.3%yoy), respectively. Under the intermediate materials, processed fuels & lubricants contracted the sharpest by -10.8%yoy (Sept-24: -11.0%yoy). Meanwhile, PPI inflation for finished goods materials eased to +1.1%yoy (Sept-24: +1.5%yoy), with prices of capital equipment rose slower by +3.1%yoy (Sept-24: +3.5%yoy), while consumer goods and consumer goods ex foods contracted. Therefore, due to the lack of upward price pressure towards the producers, we anticipate that sellers are not under pressure to pass their cost to the consumers, hence providing price stability within this range in the near term. However, we note that the short-term upside risk would appear especially towards food items to increase in the 4QCY24 due to the adverse weather conditions and the rise in CPO prices.

**Table 3: Producer Price Indices by Stage of Processing**

	MoM%			YoY%		
	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
<b>PPI</b>	(0.9)	(1.5)	(0.7)	0.3	(2.1)	(2.4)
<b>Crude Materials</b>	(3.5)	(2.6)	0.8	(3.5)	(9.5)	(8.7)
Foodstuffs	(1.2)	0.3	0.6	(0.3)	(0.2)	(0.1)
Non-food	(4.0)	(3.2)	0.9	(4.2)	(11.3)	(10.5)
Non-food ex fuel	(2.8)	2.0	8.6	5.3	10.0	22.7
Crude Fuel	(4.6)	(6.1)	(4.0)	(8.6)	(20.6)	(24.5)
<b>Intermediate Materials</b>	(0.8)	(1.1)	(0.9)	0.2	(1.1)	(1.9)
Manufactured Goods	(0.3)	(0.7)	(0.7)	2.5	2.2	1.3
Construction	(0.8)	(0.5)	(0.3)	0.3	(0.9)	(1.2)
Processed Fuel & Lubricants	(2.2)	(1.8)	(2.3)	(6.9)	(11.0)	(10.8)
Containers	2.2	(1.6)	(0.7)	(4.5)	(6.9)	(5.7)
Supplies	(0.6)	(1.5)	(0.8)	2.1	1.0	(0.7)
<b>Finished Goods</b>	0.6	(1.8)	(0.9)	3.5	1.5	1.1

	MoM%			YoY%		
	Aug-24	Sep-24	Oct-24	Aug-24	Sep-24	Oct-24
Consumer Goods	(0.2)	0.1	(0.4)	(1.1)	(0.9)	(1.3)
Consumer Goods ex. Foods	0.0	0.1	(0.5)	(2.5)	(2.2)	(2.8)
Capital Equipment	1.3	(3.2)	(1.3)	7.1	3.5	3.1

Source: DOSM, Macrobond, MIDFR

**Concerns inflation may accelerate again in other economies.** In some countries, the CPI inflation re-accelerate in Nov-24, which led to a shift in expectations on the pace of rate cuts by major central banks. In the US, the headline CPI rose faster at +2.7%yoy in Nov-24 (Oct-24: +2.6%yoy). At least, the core CPI was unchanged at +3.3%yoy, indicating sticky but no further spike in underlying price pressures. Similarly, the headline CPI inflation in the euro area accelerated to +2.2%yoy (Oct-24: +2.0%yoy), while core CPI inflation remained stable at +2.7%yoy. In the UK, both the headline and core CPI inflation accelerated to +2.6%yoy (Oct-24: +2.3%yoy) and +3.5%yoy (Oct-24: +3.3%yoy), respectively. With the reading exceeded the Bank of England's inflation target, this may cause the BOE to delay further policy easing to ensure inflation remains under control. In Asia, China's deflationary risk remained amid concerns over weak demand as the country's headline CPI inflation eased further to +0.2%yoy (Oct-24: +0.3%yoy). Other regional economies which experienced moderation in their CPI inflation include Indonesia. Despite easing inflation, Bank Indonesia kept its benchmark interest rate unchanged after the Nov-24 monetary policy meeting to support the rupiah exchange rate. With inflation at more moderate level than previous years, we foresee more easing bias for monetary policy direction. However, recent re-acceleration caused some central banks to be more cautious not to cut too fast to ensure inflation remains in check.


**Table 4: Global Headline CPI Inflation (YoY%)**

	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Malaysia	2.0	2.0	2.0	1.9	1.8	1.9	1.8
Indonesia	2.8	2.5	2.1	2.1	1.8	1.7	1.6
Singapore	3.1	2.4	2.4	2.2	2.0	1.4	n.a.
Thailand	1.5	0.6	0.8	0.4	0.6	0.8	0.8
Philippines	3.9	3.7	4.4	3.3	1.9	2.3	2.5
Taiwan	2.2	2.4	2.5	2.4	1.8	1.7	2.1
South Korea	2.7	2.4	2.6	2.0	1.6	1.3	1.5
China	0.3	0.2	0.5	0.6	0.4	0.3	0.2
Japan	2.8	2.8	2.8	3.0	2.5	2.3	2.9
Euro Area	2.6	2.5	2.6	2.2	1.7	2.0	2.2
UK	2.0	2.0	2.2	2.2	1.7	2.3	2.6
USA	3.3	3.0	2.9	2.5	2.4	2.6	2.7
<i>PCE Prices</i>	2.6	2.4	2.5	2.3	2.1	2.3	n.a.

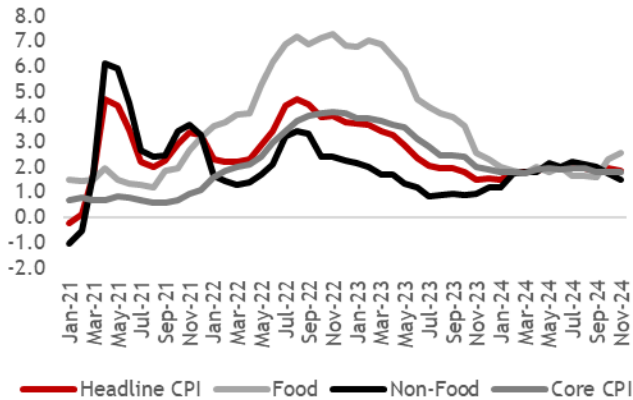
n.a. = not available

Source: Macrobond, MIDFR

**Moderate inflation at +1.8% in 2024.** We estimate that the full year inflation will moderate to +1.8% in 2024 (2023: +2.5%), which still have a rather muted impact of policy changes to pushing overall price pressures higher. Until 11CY24, headline inflation has eased to +1.8%yoy mainly due to slower food price inflation (11MCY24: +1.8%yoy; 2023: +4.8%), in contrast to higher non-food inflation (11MCY24: +1.7%yoy; 2023:

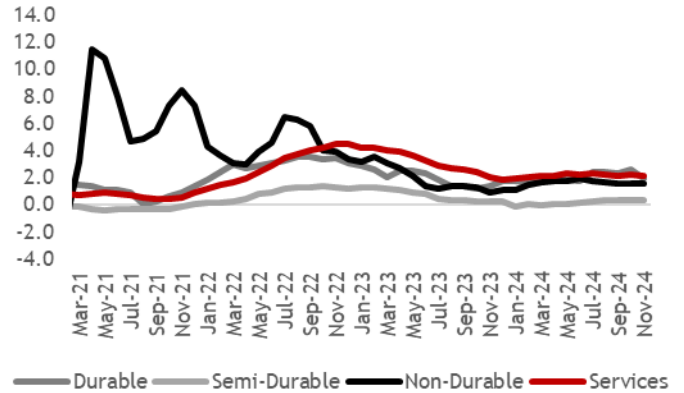
+1.3%). We continue to foresee OPR will remain unchanged at 3.00% in 2025 on the back no significant demand pressures on inflation and we opine the current rate remains supportive of Malaysia's economic growth. 

**Chart 1: Key CPI Data (YoY%)**



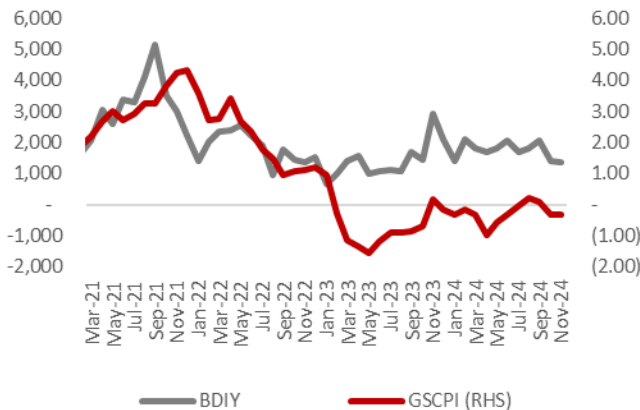
Source: Macrobond, MIDFR

**Chart 2: CPI by Type of Product (YoY%)**



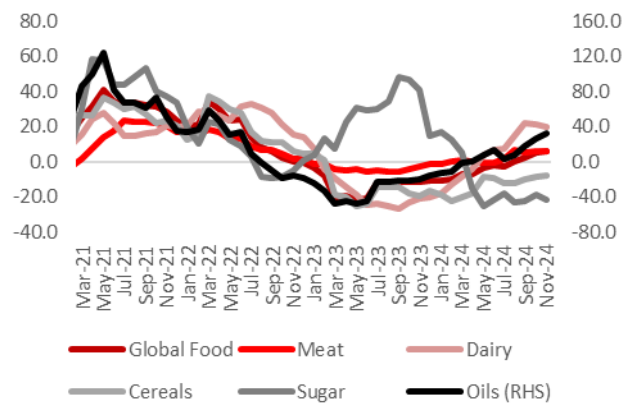
Source: Macrobond, MIDFR

**Chart 3: Baltic Dry Index (BDI) vs Global Supply Chain Pressure Index (GSCPI)**



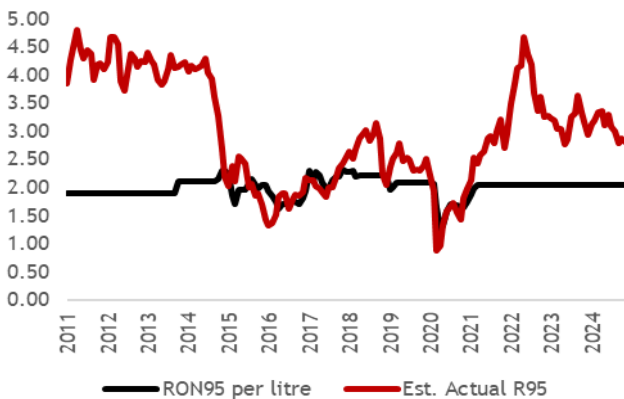
Source: Macrobond, MIDFR

**Chart 4: Global Food Inflation (YoY%)**



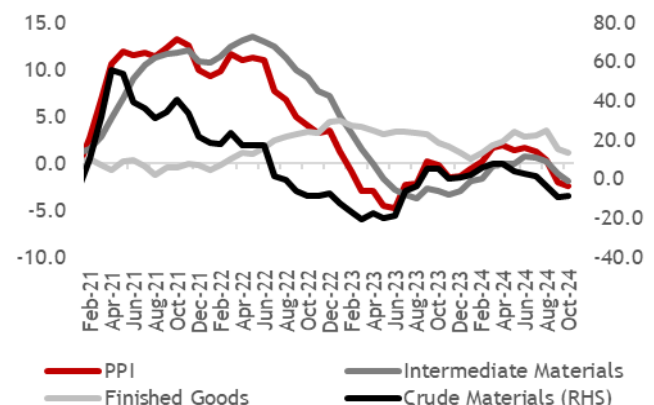
Source: FAO of UN, MIDFR

**Chart 5: Subsidized vs. Estimated Actual RON95 Price (RM per litre)**



Source: Bloomberg, MIDFR

**Chart 6: PPI (YoY%)**



Source: Macrobond, MIDFR

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